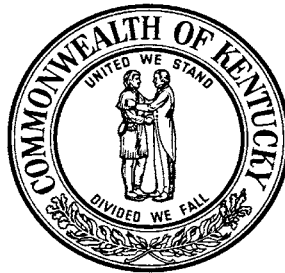


**REPORT OF THE AUDIT OF THE
PENDLETON COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

April 26, 2001



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
PENDLETON COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES

April 26, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Pendleton County Sheriff as of April 26, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$3,212,167 for the districts for 2000 taxes, retaining commissions of \$116,945 to operate the Sheriff's office. The Sheriff distributed taxes of \$3,092,579 to the districts for 2000 Taxes. Refunds of \$929 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2000 TAXES	3
NOTES TO FINANCIAL STATEMENTS	5
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	9



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Henry W. Bertram, Pendleton County Judge/Executive
Honorable Lark O'Hara, Pendleton County Sheriff
Members of the Pendleton County Fiscal Court

Independent Auditor's Report

We have audited the Pendleton County Sheriff's Settlement - 2000 Taxes as of April 26, 2001. This tax settlement is the responsibility of the Pendleton County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Pendleton County Sheriff's taxes charged, credited, and paid as of April 26, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Henry W. Bertram, Pendleton County Judge/Executive
Honorable Lark O'Hara, Pendleton County Sheriff
Members of the Pendleton County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 8, 2002

PENDLETON COUNTY
LARK O'HARA, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

April 26, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 451,812	\$ 408,015	\$ 1,366,026	\$ 497,700
Tangible Personal Property	20,392	18,189	52,878	57,609
Intangible Personal Property				10,095
Taxes Increased Through Erroneous				
Assessments	33	29	98	36
Current Year Franchise	78,347	70,521	211,048	
Prior Years Franchise	16,119	13,966	46,090	
Additional Billings	1,797	1,614	5,391	1,950
Limestone, Sand, and Mineral Reserves	3,049	2,739	9,217	3,358
Bank Franchises	28,578			
Penalties	4,152	3,772	12,481	4,603
Adjusted to Sheriff's Receipt	(29)	(3)	(13)	(7)
Gross Chargeable to Sheriff	<u>\$ 604,250</u>	<u>\$ 518,842</u>	<u>\$ 1,703,216</u>	<u>\$ 575,344</u>
<u>Credits</u>				
Exonerations	\$ 5,892	\$ 5,312	\$ 17,261	\$ 7,881
Discounts	6,779	5,595	18,662	7,624
Delinquents:				
Real Estate	8,475	7,676	25,623	9,335
Tangible Personal Property	857	765	2,224	932
Intangible Personal Property				834
Current Year Franchise Uncollected	12,111	11,259	34,222	
Prior Years Franchise Uncollected	38	30	98	
Total Credits	<u>\$ 34,152</u>	<u>\$ 30,637</u>	<u>\$ 98,090</u>	<u>\$ 26,606</u>
Taxes Collected	\$ 570,098	\$ 488,205	\$ 1,605,126	\$ 548,738
Less: Commissions *	24,517	20,665	48,154	23,609
Taxes Due	\$ 545,581	\$ 467,540	\$ 1,556,972	\$ 525,129
Taxes Paid	545,387	467,096	1,555,492	524,604
Refunds (Current and Prior Year)	583	527	1,800	662
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (389)</u>	<u>\$ (83)</u>	<u>\$ (320)</u>	<u>\$ (137)</u>

* and ** See Next Page.

PENDLETON COUNTY
 LARK O'HARA, COUNTY SHERIFF
 SHERIFF'S SETTLEMENT - 2000 TAXES
 April 26, 2001
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	1,594,463
3% on	\$	1,605,126
1% on	\$	2,578

** Special Taxing Districts:

Library District	\$	(26)
Health District		(25)
Extension District		(18)
Soil Conservation District		(16)
Mental Health District		(9)
Kenton Fire District		<u>11</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>(83)</u></u>
--	----	--------------------

The accompanying notes are an integral part of the financial statement.

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS

April 26, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 26, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENT
April 26, 2001
(Continued)

Note 4. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 28, 2000 through April 26, 2001.

Note 5. Interest Income

The Pendleton County Sheriff earned \$11,053 as interest income on 2000 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 6. Sheriff's 10% Add-On Fee

The Pendleton County Sheriff collected \$18,502 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 7. Advertising Costs And Fees

The Pendleton County Sheriff collected \$391 of advertising costs and \$77 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office. The Sheriff collects advertising costs and fees and deposits them directly into the fee account. Advertising costs are paid to the county directly from the fee account.

Note 8. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2000 taxes, the Sheriff had \$1,112 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Henry W. Bertram, Pendleton County Judge/Executive
Honorable Lark O'Hara, Pendleton County Sheriff
Members of the Pendleton County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Pendleton County Sheriff's Settlement - 2000 Taxes as of April 26, 2001, and have issued our report thereon dated November 8, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pendleton County Sheriff's Settlement - 2000 Taxes as of April 26, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pendleton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 8, 2002

